

PUBLIC DISCLOSURE

APRIL 7, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WARE CO-OPERATIVE BANK

**40 MAIN STREET
WARE, MA 01082**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WARE CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ Satisfactory ”

Ware Co-operative Bank was evaluated for Community Reinvestment under the five performance criteria of the CRA Small Institution Examination procedures as described below. The bank's satisfactory rating is based on the following:

Ware Co-operative Bank has achieved a very good average net loan to deposit ratio of 90.7 percent, indicating that deposits are being returned adequately back to the community in the form of loans. A clear majority of residential and small business loans have been granted within the bank's assessment area, as defined by the bank. Ware Co-operative Bank has demonstrated a reasonable distribution of loans among borrowers of different income levels and businesses of different sizes. The bank has also demonstrated a reasonable distribution of loans throughout the towns comprising the assessment area. Ware Co-operative Bank has shown a regular implementation of fair lending policies and procedures and no CRA complaints have been received by the bank during the period examined.

PERFORMANCE CONTEXT

Description of Institution

Ware Co-operative Bank is a community financial institution incorporated as a Massachusetts co-operative bank in 1920. The bank operates a main office in downtown Ware, Massachusetts and a branch in the adjacent town of Palmer, located in the "Three Rivers" section. Both offices offer drive-up window service and 24-Hour ATMs with network access, including NYCE, MasterCard and VISA. Ware Co-operative Bank is a member of the SUM network of financial institutions. These institutions do not levy ATM surcharges on their own or to other members' customers.

Ware Co-operative Bank, as of December 31, 2002 had total assets of \$53.8 million while total loans represented \$40.6 million or 75.6 percent of assets. The following table depicts the composition of the bank's loan portfolio.

Loan Portfolio December 31, 2002*		
Type of Loans	\$'s (000's)	% of Total Loans
Construction & Land Development	855	2.1%
Residential Real Estate		
a. 1-4 Family Mortgages	28,097	69.3%
b. Home Equity Lines/Loans	5,705	14.0%
Multifamily	1,273	3.1%
Commercial Loans		
a. Commercial Real Estate.	1,231	3.0%
b. Commercial Loans	521	1.3%
b. Agricultural Loans	291	0.7%
Consumer Loans		
a. Credit Cards		0.0%
b. Loans to Individuals	2,638	6.5%
Other Loans	0	0.0%
Total	40,611	100.0%

*Source: FDIC Call Report of Condition.

First mortgage loans (secured by 1-4 family dwellings) represent the majority (69.3%) of the bank's loan portfolio. Home equity lines/loans, combined with construction mortgages, comprise the second largest segment (16.1%) of the portfolio. Multifamily (5 units or more) and commercial real estate loans, combined with commercial/agricultural loans,

make-up the third largest portion (10.2%) of the bank's loans. Lastly, consumer loans comprise the remaining portion (6.5%) of the loan portfolio.

As described, Ware Co-operative Bank is primarily a residential mortgage lender, which has diversified into commercial loans and consumer loans. The bank maintains most of its loans in portfolio. The bank is a member of the Federal Home Loan Bank of Boston and a Federal Home Loan Mortgage Corporation (FHLMC) approved seller/servicer. The institution is also an approved Small Business Administration (SBA) lender. The bank's ability to meet community credit needs remains strong based on financial condition, size and product offerings.

The bank has direct mortgage lending competition from local and regional banks and nationally based mortgage companies. In 2001, the five most active lenders within the assessment area were (1) Country Bank for Savings (20.7% market share); (2) Countrywide Home Loans (5.4% market share); (3) Fleet National Bank (market share of 5.4%); (4) Charter One Bank (4.3% market share); and (5) GMAC Mortgage (3.6% market share). These lenders combined held a 39.4 percent share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA) requirements. Ware Co-operative Bank ranked sixth (3.4% market share), while Monson Savings Bank, another local financial institution, ranked tenth holding a 2.3 percent market share. Country Bank for Savings, the strongest competitor, is headquartered in downtown Ware. There were a total of 217 HMDA reporting mortgage lenders active within the assessment area in 2001.

Division of Banks last conducted a CRA evaluation as of May 11, 1999. This evaluation resulted in a "Satisfactory" rating. The FDIC also conducted a CRA evaluation as of December 4, 2000, which resulted in a "Satisfactory" rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns. Ware Co-operative Bank's assessment area is in conformance with the CRA regulation containing only whole geographies or census tracts.

Ware Co-operative Bank's assessment area includes the municipalities of Ware, Palmer and Belchertown (located within the Springfield, MA Metropolitan Statistical Area); and the towns of Hardwick and Warren. (located in a Non-Metropolitan area.) The Springfield, MA MSA's median income or median family income (MFI) was \$ 49,700 in 2001 and increased to \$50,700 in 2002. Likewise, the Massachusetts Non-metropolitan Areas' median family income (MFI) was \$50,500 in 2001 and increased to \$52,100 in 2002.

Based on 1990 U.S. Census, the assessment area is comprised of seven census tracts, all of which are middle income geographies. The CRA regulation defines income levels as: low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income). The census tract income levels are based on the median family income within the given tract.

Although, all the census tracts were middle income, the individual tract's median incomes ranged from 91.8 to 115.5 percent of MFI.

The following table provides demographic and housing data by census tract.

Assessment Area Demographics*					
Census Tracts	MFI as % of MSA Median	Low Moderate Income Families	Total Housing Units/ % Owner Occupied		Median Home Price #
Ware/ 8201.00	92.9	1,087	4,095	61.3	\$128,000
Belchertown/ 8202.01	115.5	714	3,988	73.1	\$179,875
Palmer/8101.00	99.0	510	2,378	55.4	\$134,900
8102.00	95.3	335	1,224	63.6	NA
8103.00	92.1	418	1,459	64.0	NA
Hardwick/ 7231.00	104.8	307	1,286	63.2	\$133,800
Warren/ 7611.00	91.8	493	1,816	63.0	\$118,250
Total/Average	98.7	3,864	16,246	64.1	\$119,443*

Source: *1990 U.S.Census/ # Warren Information Services, December 2002 - Single Family dwellings.

Based on 1990 Census information, the assessment area had a total population of 40,144 residents, which represented 15,233 households; of these 71.2 percent/10,838 were family households. Those families in the low and moderate-income categories totaled 3,864 and represented 35.6 percent of all families.

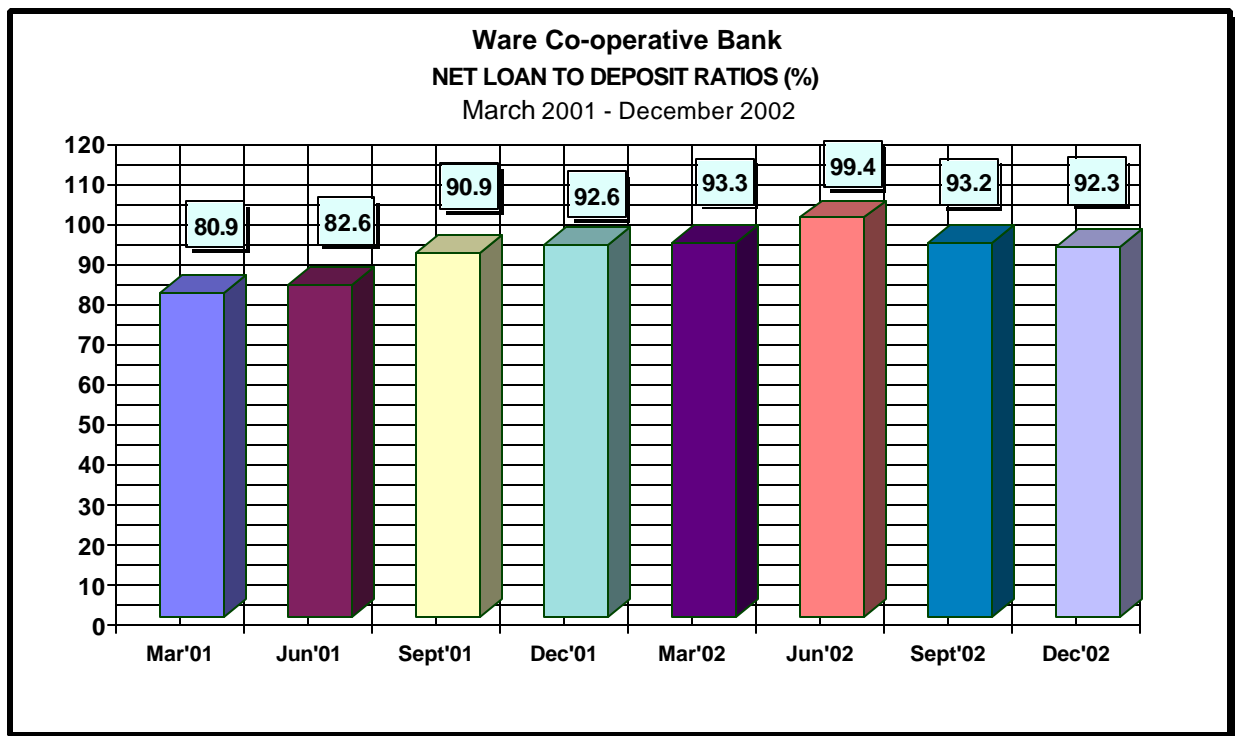
Owner-occupancy levels within the tracts varied somewhat. Belchertown had the highest level of owner occupancy at 73.1 percent of total units, and Palmer center (8101.00) had the lowest level of owner occupancy at 55.4 percent of all units. The median home prices shown (by town) are based on calendar year 2002 sales results.

Ware and Palmer are former “mill towns”, whose industrial roots began in the 18th century with saw and grist mills; and flourished in the 19th century with textile production. Both towns are situated on river sites, which provided water power for industrial production. The name Ware is derived from an Indian name for fishing weirs. The Town of Palmer is comprised of four separate villages known as Depot Village, Thorndike, Bondsville and Three Rivers. Bondsville is the site of much of Palmer’s industry. Manufacturing continues to be an important employer within the towns. Newer manufacturing firms located in Ware include the Quabbin Wire and Cable Company and Berkshire Blanket. Today, Palmer serves as rail freight interchange in what is known as the intermodal network. This network combines long haul rail transportation with door to door delivery by highway. Palmer’s largest employers include Wing Memorial Hospital, Cascades Diamond, Inc and the Town of Palmer and its school department.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This first criterion evaluates the level and trend of the bank's net loan-to-deposit ratio. The average net loan-to-deposit ratio is 90.7 percent for the period from March 31, 2001, through December 31, 2002. Ware Co-operative Bank's performance is considered more than reasonable, given the institution's lending capacity and the credit needs of its assessment area. The following graph depicts the loan to deposit ratio level and trend for the quarters reviewed.



The ratio of net loans to deposit (LTD) rose significantly in the four quarters ending December 2001. During this period, loans and deposits grew by 15.6 percent and 3.2 percent, respectively. During the four quarters of 2002, loans and deposits experienced near identical growth rates of 3.8 percent and 4.1 percent, respectively. This resulted in a stable trend for the period, excepting the June quarter. During June 2002, loans increased sharply by 5.7 percent, and as the graph demonstrates declined in the subsequent quarters. The overall positive trend in the ratio of loans to deposits indicates the bank's continued efforts to extend credit to its community.

The following table compares Ware Co-operative Bank's net loan-to-deposit ratio to four other financial institutions with offices located approximate to or within the assessment area.

Bank	Net Loans to Deposits	Total Assets \$ (millions)
Country Bank for Savings	84.1%	896.6
Spencer Savings	88.5%	247.7
North Brookfield Savings	67.1%	146.9
Monson Savings	86.3%	142.3
Ware Co-operative	92.3%	53.8

*Source: FDIC Reports of Condition as of 12/31/02.

The institutions are listed in descending order by asset size; ranging from the largest, Country Bank for Savings (\$896.6 million) to the smallest, Ware Co-operative Bank (\$53.8 million). Although smallest in asset size, Ware Co-operative Bank maintained an excellent level of net loans to deposits.

In conclusion, Ware Co-operative Bank's average net loan to deposit ratio of 90.7 percent is more than reasonable and exceeds standards for a satisfactory rating, given the bank's capacity to lend and the credit needs of the assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on the bank's record of lending within its assessment area. Ware Co-operative Bank's lending activity within the assessment area represents a majority of its lending activity and consequently, meets the standards for a satisfactory performance. Both mortgage and small business loan activity were analyzed to determine the bank's performance for this and the two subsequent lending criteria. The review period encompassed the calendar years of 2001 and 2002.

HMDA Loans

Based on reports under the Home Mortgage Disclosure Act, Ware Co-operative Bank granted a total of 246 mortgage loans for \$26.1 million during the period examined.

Lending activity inside the assessment area represented 64.6 percent (by number) and 59.8 percent (by dollar amount) of the total mortgage loans granted. The following table details the bank's lending inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	81	60.4	6,734	52.3	53	39.6	6,143	47.7
2002	78	69.6	8,889	67.2	34	30.4	4,342	32.8
Total	159	64.6	15,623	59.8	87	35.4	10,485	40.2

Source: HMDA LAR; CRA Wiz

The three largest concentration of HMDA reported loans (inside the assessment area) were granted within the following municipalities: Ware (76 loans for \$6.6 million), Palmer (31 loans totaling \$3.5 million) and Hardwick (25 loans for \$2.8 million).

Small Business Loans

The CRA regulation defines a small business loan as “a loan with an original amount of \$1 million or less that is secured by non-farm nonresidential properties or; commercial and industrial loans to U.S. addressees.” This definition is consistent with those found in the FDIC Call Report instructions. In addition, a small business is further defined as having gross annual revenues of \$1 million or less.

The bank originated 30 small business loans totaling \$2.1 million during 2001 and 2002. Twenty-two (22) loans for \$1.5 million were originated within the bank’s assessment area, representing 73.3 percent (by number) and 70.9 percent (by dollar volume) of all small business loans for the period.

In summary, Ware Co-operative Bank has granted a reasonable majority of both mortgage and small business loans inside its defined assessment area and consequently, meets the standards for a satisfactory performance for this lending criterion.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This third criterion evaluates the extent to which the institution lends to borrowers of different income levels and businesses of different sizes within its assessment area. The bank’s performance under this criterion was found to be reasonable and to meet the standards for a satisfactory performance. Residential mortgage and small business lending were evaluated to determine the institution’s performance. The bank’s residential lending is given the greater weight due to the greater volume of these loans granted and held in the bank’s loan portfolio.

Borrower income levels are compared to the area median family income (MFI) for the MSA to determine the borrowers income levels. By definition, borrowers qualify as low income (below 50% of MSA area median/MFI), moderate-income (between 50% and 79% of MSA median family income), middle-income (between 80 and 119% of MSA MFI) and upper-income (120% or more of MSA area median/MFI).

The Springfield, MA MSA's median family income (MFI) was \$49,700 and \$50,700 in 2001 and 2002, respectively. In 2002, a low-income family earned \$24,843 or less, while a moderate-income family household earned from \$25,350 to no more than \$40,053, annually. Middle income families had incomes ranging from \$40,560 to \$60,300, while upper income family households earned \$62,000 or more, annually. The Massachusetts' Non-metropolitan areas median family income was slightly higher and stood at \$50,500 and \$52,100 for 2001 and 2002, respectively.

HMDA Loans

The following table compares the bank's borrower income distribution to that of the HMDA aggregate lenders. The table also compares these distributions to the proportion of family households within the assessment area based on 1990 U.S. Census data.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	Family Households %	2001 Aggregate Lending Data	2001		2002		Total	
		%	#	%	#	%	#	%
Low	17.0	3.3	3	3.7	3	3.8	6	3.8
Moderate	18.4	13.5	7	8.6	7	9.0	14	8.8
Middle	29.1	26.0	16	19.8	18	23.1	34	21.4
Upper	35.5	43.0	53	65.4	48	61.5	101	63.5
NA	0	14.2	2	2.5	2	2.6	4	2.5
Total	100.0	100.0	81	100.0	78	100.0	159	100.0

Source: 1990 U.S. Census, HMDA LAR, HMDA Aggregate Data

The comparison with the 2001 aggregate lenders' data indicates the level of lending opportunities, existing among borrowers of different income categories within the bank's assessment area. In the above analysis, the aggregate lenders' distribution corresponds reasonably to the distribution of family households with the exception of the low-income families. The aggregate lenders' distribution also includes a segment of borrowers for which income was not available (NA), which represented 14.2 percent of all loans. In comparison, Ware Co-operative Bank demonstrated only 2.5 percent of loans as N/A. N/A loans may involve loans to bank employees or loans in which the income was not considered. It would appear, however, that the relatively high level of N/A entries in the aggregate data may have the ability to skew the distribution in other income levels.

In 2001 the bank's distribution of loans to low-income borrowers (3.7% by number) was somewhat above the aggregate lenders' distribution (3.3% by number) to these borrowers. However, the bank's distribution to moderate-income borrowers (8.6% by number) was below the collective lenders' (13.5% by number) performance. In addition, Ware Co-operative Bank's lending to middle income borrowers (19.8%) was also below the aggregate lenders' distribution (26.0%), indicating a reasonable but somewhat weak lending distribution to this income group. The bank's distribution to middle income borrowers increased in 2002; however, it remained below the aggregate lenders' distribution.

The Community Reinvestment Act (CRA) encourages financial institutions to serve the credit needs of all segments of its assessment area, but particularly borrowers of low and moderate-income. Overall, the bank's lending distribution is adequate based on the consistent lending pattern to low-income and moderate-income borrowers and the improved loan distribution to middle income borrowers in 2002. Due to the high level of lending to upper income borrowers, a solid lending pattern to moderate-income and middle-income borrowers is critical to Ware Co-operative Bank's continued satisfactory rating for this criterion.

Small Business Loans

Ware Co-operative Bank's small business loan originations (within the assessment area) were analyzed based on the loan amount at the time of origination. The table details the small business loan originations by loan size.

Small Business Loans by Loan Size						
Loan Size (000's)	2001		2002		Totals	
	#	%	#	%	#	%
<\$100k	11	84.6	7	77.8	18	81.8
\$100 - \$250k	2	15.4	1	11.1	3	13.6
>\$250 - \$1,000	0	0.0	1	11.1	1	4.6
Totals	13	100.0	9	100.0	22	100.0

Source: Bank's Commercial Loan Reports.

Of the 22 loans granted, 18 loans or 81.8 percent had original loan amounts of \$100 thousand or less; three loans or 13.6 percent had original loan amounts of greater than \$100 thousand, but less than \$250 thousand. Lastly, only one loan or 4.6 percent had original loan amounts greater than \$250 thousand but less than/equal to \$1 million. Clearly, the preponderance of loans (95.4%) granted in the two smaller loan categories reflects favorably on the bank's small business lending activity.

The above analysis by dollar volume tends to be more evenly distributed than that based on the number of loans. For the combined years reviewed, actual dollars extended in the over \$250 thousand category represented 37.7 percent (less than the majority) of all loans granted. In 2001, Ware Co-operative Bank originated 48.1 percent

of its small business lending in amounts of \$100,000 or less and 51.9 percent in amounts between \$100,001 and \$250,000. In 2002 however, the bank originated only 17.4 percent of its small business loans in amounts of \$100,000 or less and 14.8 percent in amounts between \$100,001 and \$250,000. This distribution is attributed to the bank granting a large commercial real estate loan (for \$550 thousand), which represented 67.8 percent of the total dollars originated.

It is notable, that all of the bank's small business loans were granted to businesses, whose gross annual revenues were less than \$1 million. Taken as a whole, the analysis by loan size and gross annual revenues indicates that the bank's small business lending is considered good, meeting the standard for a satisfactory rating.

In conclusion, Ware Co-operative Bank's borrower income distribution for residential loans is reasonable based on a consistent level of lending to low and moderate income borrowers, while its small business lending indicates a good level of distribution to small business entities. The bank's performance for this criterion is considered to be "Satisfactory".

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Since Ware Co-operative Bank's assessment area is comprised solely of middle income census tracts/geographies, an analysis by the census tracts income levels is not relevant. However, an analysis of the distribution of residential loan originations by town location was conducted. The bank's performance based on this analysis is considered to be good and to meet the standards for a satisfactory performance. Census tracts are categorized by the same comparative income levels that applied to borrowers' incomes; however, these median incomes are based on 1990 U.S. census data.

The following table details the distribution of residential loans by the towns comprising the assessment area. The table also provides the town's median incomes and the distribution of owner occupied housing units.

Distribution of HMDA Loans by Income Category of the Census Tract									
Towns	Percent of MSA Median Income	*1-4 Family Owner-Occupied Properties		2001		2002		Total	
		#	%	#	%	#	%	#	%
Ware	92.9	2,512	24.1	40	49.4	36	46.2	76	42.4
Palmer	95.5	3,030	29.1	12	14.8	19	24.4	31	22.7
Belchertown	115.5	2,915	28.0	11	13.5	8	10.3	19	14.3
Hardwick	104.8	813	7.8	16	19.8	9	11.5	25	17.8
Warren	91.8	1,142	11.0	2	2.5	6	7.6	8	2.8
Total		10,412	100.0	81	100.0	78	100.0	159	100.0

Source: * 1990 U.S. Census and HMDA LAR.

Ware Co-operative Bank originated the largest number of loans (42.4% of total loans) within the Town of Ware and the second largest group (22.7% of total loans) within the Town of Palmer. This pattern of geographic distribution is attributable to the bank's home and branch office locations within these municipalities. It is notable that these two communities had the lower median incomes among the assessment area's towns.

On the whole, the bank's geographic lending distribution is considered to be good, given the consistent lending patterns within Ware and Palmer, the two lower-income municipalities within the assessment area. Based upon the foregoing, Ware Co-operative Bank meets the standards for satisfactory performance for this criterion.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Ware Co-operative Bank received no CRA-related complaints in the period under review. The bank has an adequate record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. It is the policy of Ware Co-operative Bank to maintain compliance with all lending laws and specifically, fair lending regulations. The bank's fair lending policy addresses staff training, underwriting standards and practices, products and marketing, and second review.

As a residential lender, Ware Co-operative Bank offers primarily fixed rate mortgage loans with 15 and 30-year terms. The bank offers a 1-year ARM for land and/or home purchase. The maximum loan to value (LTV) for mortgage products is 95% with private mortgage insurance required for LTV's over 80%. All mortgage loan applications (for fixed rate mortgages) are underwritten to the Federal Home Loan Mortgage Corporation's (FHLMC's) standards, in order to provide the bank with the option to sell its fixed rate loans in the secondary market. It is the policy of the bank to retain all servicing rights if or when a mortgage is sold.

Ware Co-operative Bank is a participant lender in Massachusetts Housing Partnership's (MHP's) soft second program and Guaranteed Rural Housing first mortgage program. Both of these programs are designed specifically to meet the credit needs of low and moderate-income borrowers. Ware Co-operative originated one financing package, consisting of a below market rate first and second mortgage, under MHP's soft second program. Additionally, the bank granted one first mortgage loan for a 100 percent LTV under the Guaranteed Rural Housing program.

The institution also offers a fixed rate/closed-end equity loan and equity line product, both with a maximum 20-year term and 80% LTV. There are no closing costs on these equity products. An unsecured home improvement loan is offered with a maximum loan amount of \$10,000 and 5 year term.

Ware Co-operative Bank offers a variety of commercial loan products including commercial mortgages for investor-owned residential properties, residential/commercial construction and commercial use properties. Lines of credit for working capital and term loans for equipment financing are also offered. Ware Co-operative Bank recently became an approved SBA lender. The bank's Senior Lending Officer serves on the loan committee for the QVBAC (Quaboag Valley Business Assistance Corporation), an affiliate of Quaboag Valley Chamber of Commerce. QVBAC administers a loan pool, which offers small business loans up to \$100,000 and micro-enterprise loans up to \$25,000. In addition, peer lending group loans are offered ranging from \$500 to \$20,000. Ware Co-operative Bank participates in funding the QVAC's loan pool.

Consumer loan products include new and used auto loans and secured/unsecured personal loans. New car loans are granted for a maximum of 5 years and 100 percent LTV, while used car loan offer a 5 year term and 80 percent LTV. Unsecured personal loans offer maximum loan amount of \$5,000 and 3 year term. Ware Co-operative Bank has currently undertaken a car dealership call program to promote its auto loan products.

Ware Co-operative Bank's senior lending officer reviews all denied mortgage applications and home equity loan applications. Furthermore, the Security Committee meets weekly and reviews all denied real estate and consumer loan applications, along with those loans recommended for approval.

MINORITY APPLICATION FLOW

During 2001 and 2002 combined, the bank received a total of 4 mortgage applications from various minority groups, representing 2.2 percent of all residential loan applications received. The HMDA aggregate lenders in 2001 attracted 94 minority applicants, representing 3.1 percent of all the residential applications received. In comparison, Ware Co-operative Bank's minority applicants in 2001 represented 2.1 percent of all applicants. The table following provides further details.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2001		BANK 2001		BANK 2002		BANK TOTAL	
	#	%	#	%	#	%	#	%
Native American	8	0.3	0	0.0	0	0.0	0	0.0
Asian	14	0.5	0	0.0	0	0.0	0	0.0
Black	15	0.5	0	0.0	0	0.0	0	0.0
Hispanic	21	0.7	0	0.0	0	0.0	0	0.0
Joint Race	28	0.9	2	2.4	2	2.3	4	2.2
Other	8	0.3	0	0.0	0	0.0	0	0.0
Total Minority	94	3.1	2	2.1	2	2.3	4	2.2
White	2,060	67.3	90	93.7	82	94.3	172	94.0
NA	909	29.6	4	4.2	3	3.4	7	3.8
Total	3,063	100.0	96	100.0	87	100.0	183	100.0

Source: HMDA-LAR, CRA Wiz .

In addition, the institution's minority application flow is compared to the racial composition of the assessment area. As of the 1990 U.S. Census, the population was 40,144 residents of which 975 individuals or 2.4 percent were members of a racial minority. Given the racial composition and the HMDA aggregate application data, the bank's level of attracting minority applicants is considered to be reasonable.

Conclusion/Fair Lending

Ware Co-operative Bank's record of implementing and developing fair lending policies and practices is rated "satisfactory". This rating is based on regular training programs for all staff, credit products designed to meet the assessment area credit needs, regular efforts to market the institution's credit services to all segments of the assessment area, and efforts to review all denied mortgage loan applications to ensure fairness in the underwriting and loan application process.

Community Development Lending

During the period under review, Ware Co-operative Bank financed two affordable housing projects, one located in Palmer Center and Gilbertville, a section of the Town of Hardwick. The projects' developer was South Middlesex Non-profit Housing Corporation, Inc; a subsidiary of South Middlesex Opportunity Council, Incorporated (SMOC).

Ware Co-operative Bank granted a \$250,000 mortgage for the acquisition of the King's Inn located at 1418 –1426 Main Street, Palmer. In addition, Ware Co-operative Bank successfully applied for a Federal Home Loan Bank AHP (Affordable Housing Program) direct subsidy/grant for another \$175, 000 to cover rehabilitation cost. King's Inn provides 19 single room occupancy (SRO's) for homeless, or formerly homeless tenants. All the units will be rented to individuals with income no greater than 50 or 60 percent of area median income.

The bank also extended SMOC a \$140,000 commercial mortgage to provide permanent financing for a 14-unit rooming house located in Hardwick. The renovated facility located at 122 Prospect St, Gilbertville is to house formerly homeless and very low-income veterans.

Ware Co-operative Bank's community development lending activities are notable for an institution of its size and for the innovativeness of the developments .

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WARE CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 7, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.